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Guyana* and Mexico: draft resolution

Towards a stable and equitable international financial system, responsive to the challenges of development, especially in the developing countries

The General Assembly,

Reaffirming its resolution 53/172 of 15 December 1998 on the financial crisis and its impact on growth and development, especially in the developing countries,

Noting the high-level regional meeting on the theme "Towards a stable and predictable international financial system and its relationship to social development",[1] held in Mexico on 5 and 6 September 1999, with the collaboration of the Economic Commission for Latin America and the Caribbean, in order to contribute to the process launched by the Assembly in its resolution 53/172,

Recognizing that the increasing globalization of financial markets and capital flows has presented Governments, the multilateral financial institutions and the international community at large with new challenges and opportunities for the mobilization of adequate and predictable resources for promoting economic development and social welfare,

Stressing the importance of the provision of adequate financial resources for the development of developing countries, including through public and private financial flows, international trade, official development assistance and debt relief, and that the comprehensive and integrated consideration of these issues should constitute a very important element of the dialogue and collaboration between the United Nations system and the Bretton Woods institutions,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] See A/54/__.

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Deeply concerned at the continuing decline in official development assistance, which is a significant external source of financing for development and an important support to the efforts of developing countries, in particular the least developed countries, for eradicating poverty and tackling basic social needs, especially where private capital flows may either be inadequate or unavailable,

Emphasizing the importance of finding a lasting solution to the external debt problem of developing countries in order to release resources for financing their development efforts,

Expressing the need for future multilateral trade negotiations to result in increased access to markets for goods and services that are of export interest to developing countries, in particular the least developed countries, such markets being an important source of financial resources for their development efforts,

Mindful of the need that the benefits of the increasing integration of global markets should be extended to all nations and peoples, in particular to the developing countries, especially the least developed among them, that in spite of the important role of private capital flows for promoting economic development they are not evenly distributed, and that for the majority of developing countries they are unavailable or inadequate,

Noting the important need to ensure that capital mobility benefits developing economies rather than harming them, and in particular noting that short-term speculative capital flows, due to their highly volatile nature, often have negative impacts on the long-term goals of developing countries,

Regretting that the recent financial crisis has led to a significant slowdown in the economic activity of developing countries and negative effects in terms of social development, with the gravest impacts on the most vulnerable, and in this context concerned that a sense of complacency may emerge as some of the most visible effects of the crisis seem to be overcome in some regions and sectors, which may result in the weakening of urgent action on a wide range of reforms that need to be undertaken in the international financial system,

Recognizing that the recent financial crisis has exposed the weaknesses of the present international financial system, and underlining the urgent need to work on a wide range of reforms for a stable and equitable international financial system in order to enable it to respond more effectively and in a timely manner to the challenges of development in the context of global financial integration,

Emphasizing that the United Nations, in fulfilling its role in the promotion of development, in particular of developing countries, should play a central role in the international efforts to build up the necessary international consensus on the wide range of reforms needed for a strengthened, stable and equitable international financial system responsive to the challenges of development, especially in the developing countries,

1. *Takes note with appreciation* of the report of the Secretary-General,[2] the note by the United Nations Conference on Trade and Development entitled "The financial crisis and its impact on growth and development, especially in the developing countries",[3] the report of the Executive Committee on Economic and Social Affairs entitled "Towards a new

[2] A/54/471.

[3] A/54/512/Add.1.

international financial architecture", the *World Economic and Social Survey, 1999*[4] and the *Trade and Development Report, 1999*;[5]

2. *Emphasizes* the need to renew national, regional and international efforts in order to promote a strengthened, stable and equitable international financial system, and to this end to improve its early warning, prevention and response capabilities for dealing with the emergence and spread of financial crisis in a timely manner, taking a comprehensive and long-term perspective, while remaining responsive to the challenges of development and the protection of the most vulnerable countries and social groups;

3. *Stresses* the importance of having an enabling international environment through strong cooperative efforts by all countries and institutions to promote global economic recovery, and to this end calls on major industrialized countries, which have significant weight in influencing world economic growth, to adopt and pursue coordinated policies conducive to world economic growth and international financial stability and the promotion of a favourable external economic environment for a sustained global economic recovery, including the full recovery of crisis-affected countries;

4. *Recognizes* the importance of international financial stability, and in this context calls on developed countries, in particular major industrialized countries, to ensure that their macroeconomic policies are consistent with the priorities of growth and development, in particular of developing countries;

5. *Also stresses* the importance at the national level of strong domestic institutions to promote the achievement of growth and development, including through sound macroeconomic policies and policies aimed at strengthening the regulatory and supervisory systems of the financial and banking sectors, including adequate institutional arrangements both in the countries of origin and destination of international capital flows;

6. *Recognizes* the importance of accelerating the growth and development prospects of least developed countries, which remain the poorest and most vulnerable of the international community, and calls upon developed partners to carry on their efforts to increase official development assistance and their efforts aimed at strengthened debt relief, improved market access and enhanced balance-of-payment support;

7. *Reaffirms* the need for a continued and constructive dialogue, in the relevant institutions and forums among developed and developing countries including at the regional and subregional levels, on the need for the international community to continue to work together in formulating a global agenda for financial stability and on issues related to strengthening and reforming the international financial system, and in this context underscores the importance of an adequate and equitable representation and participation of developing countries in the decision-making processes of international financial institutions in order to ensure the effectiveness and universality of the new arrangements, reflecting the diversity among economies, their levels of development and their goals;

8. *Encourages* the deepening of the dialogue between the Economic and Social Council and the Bretton Woods institutions in order to promote the wide range of reforms needed for a strengthened, stable and equitable international financial architecture that reflects the global interests of the international community, and in this regard recommends that their next high-level meeting give priority to the consideration of the modalities to achieve a more strengthened, stable and equitable international financial system, responsive to the challenges of development, especially in the developing countries;

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[4] United Nations publication, Sales No. E.99.II.C.1.

[5] United Nations publication, Sales No. E.99.II.D.1.

9. *Emphasizes* that the international financial institutions, in providing policy advice and supporting adjustment programmes, should ensure that they are sensitive to the specific circumstances of the concerned countries and to the special needs of developing countries and work towards the best possible outcomes in terms of growth and development, including through the protection of levels of social expenditure determined by each country on the basis of its needs and national priorities according to domestic economic and social development strategies;

10. *Stresses* the need to define the role and improve the capacities of the international, regional and subregional financial institutions with regard to the prevention, management and resolution in a timely and effective manner of international financial crisis, and in this regard encourages efforts to enhance the stabilizing role of regional and subregional financial institutions and arrangements in supporting the management of monetary and financial issues, and requests the regional commissions to provide their views on this matter to the General Assembly at its fifty-fifth session;

11. *Emphasizes* the need to develop an early warning system to prevent or, as the case may be, to take timely action to address the threat of financial crises, and in this regard encourages the International Monetary Fund and other relevant international and regional institutions to deepen their efforts to contribute to this process;

12. *Underscores* the need to provide adequate international liquidity to the international financial system to contribute to the enhancement of worldwide stability, including through the provision to the international financial institutions, in particular the International Monetary Fund, of adequate resources to provide emergency financing in a timely manner to countries affected by financial crisis, as well as the further accessibility, transparency and timeliness of contingency credit lines, and the creation and strengthening of regional reserves;

13. *Emphasizes* that all countries should retain their autonomy in the management of capital accounts in accordance with their own national priorities and needs, and in this context underlines that the opening of the capital account must be carried out in an orderly, gradual and well sequenced manner, keeping its pace in line with the strengthening of the ability of countries to cope with its consequences;

14. *Reaffirms* the need to strengthen international and national financial systems through a more effective national, regional and international surveillance of both the public and private sectors, based, *inter alia*, upon the improvement of the availability and transparency of information, as appropriate, and possible additional regulatory and voluntary disclosure measures concerning financial market participants, including international institutional investors, particularly concerning highly leveraged operations;

15. *Calls* on the renewal of national, regional and international efforts to promote the greater involvement of the private sector in the prevention and resolution of financial crisis, and in this context underscores the importance of a more equitable distribution of the cost of adjustments between the public and private sectors, and between debtors, creditors and investors, and requests the United Nations Conference on Trade and Development to provide their views on this matter to the General Assembly at its fifty-fifth session;

16. *Reiterates* its call to the international community to pursue national, regional and international efforts to contribute to minimizing the excessive volatility of global financial flows, and in this context reiterates the need to consider the establishment of regulatory frameworks for short-term capital flows and trade in currencies, *inter alia*,

through tax measures and market-related measures related to capital inflows, and invites the International Monetary Fund and relevant regulatory bodies to contribute to this process;

17. *Underlines* the importance that sovereign risk assessments be based on objective and transparent parameters, and in this regard invites the relevant national, regional and international regulatory bodies to contribute to the development of appropriate standards to ensure that risk-assessment agencies provide complete and accurate information on a timely and regular basis;

18. *Encourages* the efforts of the World Bank and regional development banks to help Governments to address the social consequences of crisis, in particular through the strengthening of social safety nets in developing countries, particularly for the most vulnerable groups, without losing sight of the long-term goals of development;

19. *Requests* the Secretary-General to support, through the collaboration of the regional commissions, regional and subregional initiatives, including regional and subregional meetings, the design of a global agenda towards a more stable, predictable and equitable international financial system responsive to the challenges of development, in particular of developing countries, and in this regard, requests the Secretary-General to make available the results of those exercises to the General Assembly at its fifty-fifth session;

20. *Also requests* the Secretary-General, in close cooperation with all relevant entities of the United Nations, including the United Nations Conference on Trade and Development and the regional commissions, and in consultation with the Bretton Woods institutions, to report to it at its fifty-fifth session on the implementation of the present resolution under the sub-item, "Financing of development, including net transfer of resources between developed and developing countries", with an analysis of the current trend in global financial flows, providing recommendations for the design of a global agenda towards a strengthened, stable and equitable international financial system responsive to the priorities of growth and development, in particular of developing countries;

21. *Further requests* the President of the General Assembly to send a copy of the present resolution to the Boards of Directors of the World Bank and the International Monetary Fund, inviting them to consider the present resolution in their discussions of this matter.